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FISCAL IMPACT STATEMENT

LS 6138

BILL NUMBER: HB 1086

NOTE PREPARED: Jan 1, 2011

BILL AMENDED:

SUBJECT: Deduction for Blind or Disabled Dependent.

FIRST AUTHOR: Rep. Pelath

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill establishes a \$12,480 property tax assessed value deduction on the residence of an individual who has a dependent who: (1) is blind or otherwise disabled; and (2) resides with the individual.

Effective Date: January 1, 2011 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, an individual who is legally blind or disabled may receive an assessed value (AV) deduction on the individual's real property or mobile home residence of \$12,480. For taxes payable in 2012 and after, this bill extends the deduction to a homeowner who has a blind or disabled dependent who resides with the individual.

An accurate number of blind or disabled dependents is currently unavailable. Estimates from the latest census data indicate that there are approximately 798,000 individuals in the state who are blind or disabled. After making adjustments for those who are earning over \$15,000 a year, it is estimated that approximately 473,000 households would qualify for the deduction under this bill. This assumes that each household has only one qualified dependent, so this number can be considered as the maximum number of eligible households.

Extending the deduction to these eligible households would reduce the tax base by approximately \$5,900 M

in 2012. The reduction in property tax base would cause a shift of the property tax burden to all taxpayers (including those receiving the deduction) in the form of an increase in the statewide average gross tax rate of about \$0.0480 in 2012.

Circuit Breaker Impact: It is also possible that the combination of a reduction in assessed values and an increase in tax rates would result in more taxpayers being above the applicable tax cap. This could potentially increase the amount of circuit breaker credits. As a result, total local revenues would probably decrease. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

Effect on Local Homestead Credits: A number of counties currently provide local homestead credits. Some homestead credits are paid with proceeds from a combination of County Option Income Taxes (COIT) and County Economic Development Income Taxes (CEDIT). Under this proposal local homestead credits could decrease. COIT proceeds that are not used for county homestead credits are distributed to civil taxing units as certified shares. CEDIT proceeds that are the result of the additional rate allowed for homestead credits may only be used for homestead credits. Forty-three counties currently provide CEDIT-funded homestead credits, and 10 counties provide COIT-funded homestead credits.

State Agencies Affected:

Local Agencies Affected: All counties.

Information Sources: 2009 American Community Survey 1-Year Estimates, U.S. Census Bureau; OFMA Property Tax Database.

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